

THE COMMONWEALTH OF MASSACHUSETTS

# State Board of Retirement

ONE ASHBURTON PLACE, BOSTON, MA 02108-1607

## N E W S L E T T E R



Timothy P. Cahill

### Welcome to the State Board of Retirement

*Let me take this opportunity to introduce to you the first Active Member Newsletter. I hope you use this newsletter as a guide and that it answers any questions that you may have.*

*People often ask me about the retirement process and the timing needed to plan properly. I believe that*

*now is the time to plan for your retirement. It is important that we all design a game plan ahead of time in order to ensure a smooth retirement.*

*Please use my office as a resource for you and your family on the many issues surrounding your retirement. Retirement counselors are available for confidential, one-on-one counseling sessions.*

*If you have any specific questions or would like to set up an appointment, please contact the State Board of Retirement at (617) 367-7770 or 1-800-392-6014 (in Massachusetts only). Our Office is open Monday through Friday from 7:45 a.m. to 5:00 p.m. with experienced counselors ready to assist you in this process. Also, feel free to utilize our walk-in service at One Ashburton Place, Room 1219, Boston, MA.*

*Since this is our first newsletter, we welcome your ideas and suggestions for our next edition. Please forward your comments to the State Board of Retirement at the address listed above or email us at [srb@tre.state.ma.us](mailto:srb@tre.state.ma.us).*

*I thank you for your dedication to our Commonwealth.*

*Sincerely,*

Timothy P. Cahill  
Treasurer & Receiver General  
The Commonwealth of Massachusetts

### Members of the Board

**Chairman**

Treasurer Timothy P. Cahill

**Elected Member**

Ralph White

**Elected Member**

Theresa McGoldrick, Esq.

**Appointed Member**

Peter Koutoujian, Sr.

**Chosen Member**

Chris S. Condon

**Executive Director**

Nicola Favorito, Esq.

### What's New

The State Board of Retirement has **updated** its **member forms**. You may download the following forms from our website:

**[www.mass.gov/treasury](http://www.mass.gov/treasury)**

**New Member Enrollment Form**

**Application for Voluntary**

**Superannuation Retirement**

**Option Selection Form Option A**

**Option Selection Form Option B**

**Option Selection Form Option C**

**Retiree Change of Address Form**

**Beneficiary Selection/Change  
of Beneficiary Form**

**Request for Return of  
Accumulated Deductions**

**Purchase of Creditable Service  
(Buyback) Form**

**Transfer Notice**

**Veteran's Creditable Service Form**

**Authorization for Direct Deposit**

**Accidental Death Form**

**Application for Annuity**

### In This Issue

**1 Meet the Treasurer**  
**What's New: Updated Forms**

**2 Frequently Asked Questions**  
**Noteworthy:**  
Retirement Counseling  
& Bank Loan Applicants

**2 Important Dates**  
**Contact Us**

**3 PRIM Board Update**  
**457 Deferred**  
**Compensation Update**

**4 Rate Percentage Sheet**

## Frequently Asked Questions

### ***Can I borrow money from my retirement account now and pay it back later?***

No! Under state law, your retirement account has no provisions for withdrawal under any circumstances, including mortgage down payment or college education.

### ***Each time I receive my paycheck, I notice it shows a deduction for retirement. What happens to these deductions?***

Active state employees contribute a percentage of their gross salary toward retirement (the percentage depends on their date of entry into service). The State Board of Retirement establishes and maintains a retirement account which represents both contributions deducted from your paycheck by your payroll and regular interest earned on your prior year's ending balance. This is the artificial interest rate set by PERAC.

### ***Why do I pay a higher percentage toward my retirement than some other employees?***

Contribution to the state retirement system is determined by your most recent entry into the system. Members who re-enter the system with funds on deposit or who transfer from another contributory retirement system maintain their former contribution level.

### ***Does a state employee who retires, and did not make retirement contributions during the first six months of employment, have to buy back the first six months or is it optional?***

A retiree cannot buy back time. An active state employee has an option to buy back time as long as it is paid in full prior to their retirement date. It is financially beneficial to do so sooner rather than later because of the interest involved.

### ***When can I file for retirement?***

No sooner than 120 days before you plan to retire. If you file more than sixty days after your last day paid, your benefits will not be retroactive to your retirement date. The State Retirement Board strongly recommends that you plan your retirement and that you file at least 30 days in advance of leaving your job. Certain retirement options will not be available to you once you stop working. You should therefore obtain counseling from the State Board of Retirement before you stop working.

### ***Where do I get a retirement application?***

Applications are available on the website ([www.mass.gov/treasury](http://www.mass.gov/treasury)) and at the State Retirement Board.



## CONTACT US:

### State Board of Retirement:

One Ashburton Place,  
Room 1219  
Boston, MA 02108-1607

**Phone:** (617) 367-7770 or

**Toll Free:** 1-800-392-6014  
(Mass. only)

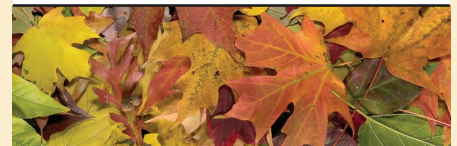
**Fax:** (617) 723-1438

**Email:** [SRB@tre.state.ma.us](mailto:SRB@tre.state.ma.us)

### **Website:**

[www.mass.gov/treasury](http://www.mass.gov/treasury)

**PLEASE NOTIFY YOUR  
HUMAN RESOURCES  
COORDINATOR OF ANY  
CHANGE OF ADDRESS**



## Noteworthy

### **Retirement Counseling is Coming to a Region near you!**

The State Board of Retirement set up shop at the MITC building in Chelsea this past spring to provide one-on-one counseling for current state employees in that location. Due to the popularity, in August the retirement counselors headed to Springfield to provide additional one-on-one sessions. Because we have found the need for one-on-one counseling sessions to be so tremendous, starting in the fall, we will be having retirement counseling sessions on an ongoing basis in Chelsea, Woburn, Springfield, and Braintree. *Stay tuned...*

Group counseling presentations also available. Please contact your HR Department. ■

### **Bank Loan Applicants, Take Note...**

If you are planning to go to the bank for a loan, most banks require pension information. Active Employees should contact the Board at the beginning of the process to request a balance letter.

Most banks often do not inform the loan applicant until it is late in the process and it is against Board Policy to fax the information. ■

## Important Dates to Remember

### **October 2005**

Monday, October 10 | Office Closed  
Thursday, October 27 | Board Meeting

### **November 2005**

Friday, November 11 | Office Closed  
Wednesday, November 23 | Board Meeting  
Thursday, November 24 | Office Closed

### **December 2005**

Monday, December 20 | Office Closed  
Thursday, December 29 | Board Meeting

## PRIM Board Update: August 2005

The Pension Reserves Investment Trust (PRIT) Fund is a pooled investment fund established to invest the assets of the Massachusetts State Teachers' and Employees' Retirement Systems, and the assets of county, authority, district, and municipal retirement systems that choose to invest in the Fund. The PRIT Fund was created by the Legislature in December 1983. The nine-member PRIM Board is responsible for the management of the PRIT Fund. The Treasurer and Receiver General of the Commonwealth is a member ex officio and serves as the chair. The State Employees' Retirement System also has two representatives on the Board: the members of that Retirement System elect one and one is an Elected Member of the State Employees' Retirement Board.

### Reversal of Fortune: US Stocks, REITs Falter

After a stellar performance in July, US stocks retreated in the month of August in the face of rising energy costs and interest rates. REITs also struggled, but bonds and international stocks performed well. Small cap stocks generally lagged large cap stocks. Growth stocks tended to under-perform value in large-cap stocks but value lagged growth in the small and mid-cap stocks. The energy and utilities sectors had positive performance. International Developed Markets equities outperformed Emerging Markets equities markets.

### Market Recap – August 2005

#### DOMESTIC EQUITY MARKETS:

Index	Month	YTD
S&P 500	-0.91%	1.94%
DOW	-1.20%	-1.26%
NASDAQ	-1.50%	-1.07%
Dow-Wilshire 5000	-0.90%	3.01%
Russell 2500	-1.49%	5.62%

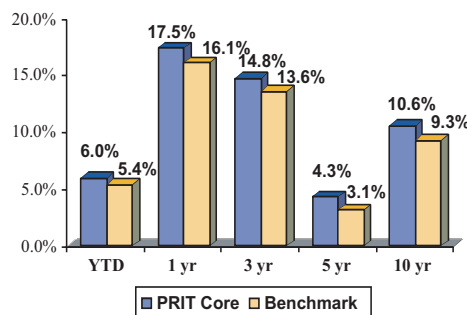
#### INTERNATIONAL & EMERGING MARKETS EQUITIES:

Index	Month	YTD
MSCI EAFE	2.53%	4.43%
MSCI EMF	0.86%	14.38%

#### FIXED INCOME & HIGH YIELD MARKETS:

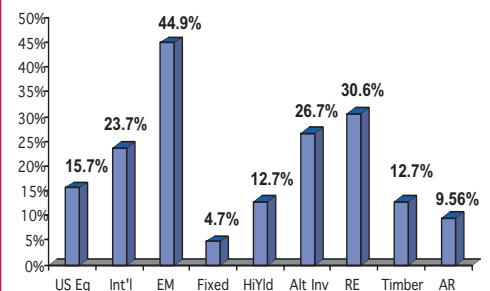
Index	Month	YTD
LB Aggregate	1.28%	2.88%
Long Treasuries	3.02%	7.71%
CSFB High Yield	0.36%	3.09%
TIPS	2.31%	2.87%

### PRIT Core Fund as of 8/31/05



The PRIT Core Fund ended August with \$37.8 billion, up \$1.8 billion from the end of 2004. For the month of August the PRIT Core Fund returned 0.29% just behind the policy benchmark return of 0.43%. For the one-year period through August, the PRIT Core Fund returned 17.45% exceeding the policy benchmark return of 16.13% by 132 basis points.

### One-Year Performance by Asset Class at 8/31/05



The TUCS Rankings as of **Second Quarter 2005** show the PRIT Core Fund is ranked in the **Top 1% of Public Funds Nationwide** (over \$1 billion in size) with an 10.65% annualized return over 10 years. For the trailing year PRIM placed in the 5<sup>th</sup> percentile nationwide with a return of 13.41%; for the 2 & 3-year periods PRIM placed in the 3<sup>rd</sup> percentile and for 5-years, in the 21<sup>st</sup> percentile.

For more information about PRIM Board, please visit their website at [www.mapension.com](http://www.mapension.com)

## 457 Deferred Compensation Update

Also available to state employees is a 457 Deferred Compensation Plan. The SMART Plan is offered through ING. With a Deferred Compensation Plan you postpone receiving (defer) a portion of your salary.

Plan participants should be aware that effective August 15, 2005:

1. The Eaton Vance Large Cap Value Fund will replace the Active Large Cap Value Stock Portfolio currently managed by Wellington Trust,

2. The State Street Global Advisors (SSGA) Passive Bond Market Index Fund will replace the Barclays Global Investors (BGI) U.S. Debt Index Fund, and,
3. The T. Rowe Price Structured Research Fund will be added as a core fund.

If you are an investor in the Conservative, Moderate, or Aggressive Lifecycle Funds, the SSGA Passive Bond Market Index Fund will replace the proportional

share currently managed by the BGI U.S. Debt Index Fund. No action is necessary on your part.

SMART Plan Representatives may be reached toll free at (877) 457-1900, Monday through Friday, during the hours of 8:00 a.m. to 10:00 p.m. EST, and Saturdays from 8:00 a.m. to 4:00 p.m. EST.

Located in the Retirement Board Office. Phone (617) 376-3900, ext. 380 or visit [www.ingretirement.com/custom/mass](http://www.ingretirement.com/custom/mass)

**TO BE ELIGIBLE TO RETIRE, YOU NEED TO MEET ONE OF THE FOLLOWING CONDITIONS:**

- 20 years of credible service, or
- attain the age of 55 with ten years of credible service.

**Group 1 Massachusetts Retirement Percentage Chart**

SERVICE	YEARS IN AGE AT RETIREMENT															
	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65
10						15	16	17	18	19	20	21	22	23	24	25
11						16.5	17.6	18.7	19.8	20.9	22	23.1	24.2	25.3	26.4	27.5
12						18	19.2	20.4	21.6	22.8	24	25.2	26.4	27.6	28.8	30
13						19.5	20.8	22.1	23.4	24.7	26	27.3	28.6	29.9	31.2	32.5
14						21	22.4	23.8	25.2	26.6	28	29.4	30.8	32.2	33.6	35
15						22.5	24	25.5	27	28.5	30	31.5	33	34.5	36	37.5
16						24	25.6	27.2	28.8	30.4	32	33.6	35.2	36.8	38.4	40
17						25.5	27.2	28.9	30.6	32.3	34	35.7	37.4	39.1	40.8	42.5
18						27	28.8	30.6	32.4	34.2	36	37.8	39.6	42.4	43.2	45
19						28.5	30.4	32.3	34.2	36.1	38	39.9	41.8	43.7	45.6	47.5
20	20	22	24	26	28	30	32	34	36	38	40	42	44	46	48	50
21	21	23.1	25.2	27.3	29.4	31.5	33.6	35.7	37.8	39.9	42	44.1	46.2	48.3	50.4	52.5
22	22	24.2	26.4	28.6	30.8	33.0	35.2	37.4	39.6	41.6	44	46.2	48.4	50.6	52.8	55
23	23	25.3	27.6	29.9	32.2	34.5	36.8	39.1	41.4	43.7	46	48.3	50.6	52.9	55.2	57.5
24	24	26.4	28.8	31.2	33.6	36	38.4	40.8	43.2	45.6	48	50.4	52.8	55.2	57.6	60
25	25	27.5	30.0	32.5	35.0	37.5	40	42.5	45	47.5	50	52.5	55	57.5	60	62.5
26	26	28.6	31.2	33.8	36.4	39.0	41.6	44.2	46.8	49.4	52	54.8	57.2	59.8	63.4	65
27	27	29.7	32.4	35.1	37.8	40.5	43.2	45.9	48.6	51.3	54	56.7	59.4	62.1	64.8	67.5
28	28	30.8	33.6	36.5	38.2	42	44.8	47.6	50.4	53.2	56	58.8	61.6	64.4	67.2	70
29	29	31.9	34.8	37.7	40.6	43.5	46.4	49.3	52.2	55.1	58	60.9	63.8	66.7	69.6	72.5
30	30	33	36	39	42	45	48	51	54	57	60	63	66	69	72	75
31	31	34.1	37.2	40.3	43.4	46.5	49.6	52.7	55.8	58.9	62	65.1	68.2	71.3	74.4	77.5
32	32	35.2	38.4	41.6	44.8	48	51.2	54.4	57.6	60.8	64	67.2	70.4	73.6	76.8	80
33	33	36.3	39.6	42.9	46.2	49.5	52.8	56.1	59.4	62.7	66	69.3	72.6	75.9	79.2	80
34	34	37.4	40.8	44.2	47.6	51	54.4	57.8	61.2	64.6	68	71.4	74.8	78.2	80	80
35	35	38.5	42	45.5	49.0	52.5	56	59.5	63	66.5	70	73.5	77	80	80	80
36						54	57.6	61.2	64.8	68.4	72	75.6	79.2	80	80	80
37						55.5	59.2	62.9	66.6	70.3	74	77.7	80	80	80	80
38						57.0	60.8	64.6	68.4	72.2	76	79.8	80	80	80	80
39						58.5	62.4	66.3	70.2	74.1	78	80	80	80	80	80
40						60	64	68	72	76	80	80	80	80	80	80

Multiply the indicated percentage by the average of your highest three (3) consecutive years salary to calculate Option A.

AGE AT RETIREMENT	PERCENTAGE OF AVERAGE ANNUAL RATE OF REGULAR COMPENSATION			AGE AT RETIREMENT	PERCENTAGE OF AVERAGE ANNUAL RATE OF REGULAR COMPENSATION		
	GROUP I	GROUP II	GROUP IV		GROUP I	GROUP II	GROUP IV
65+	2.5	2.5	2.5	48	0.8	0.8	1.8
64	2.4	2.5	2.5	47	0.7	0.7	1.7
63	2.3	2.5	2.5	46	0.6	0.6	1.6
62	2.2	2.5	2.5	45	0.5	0.5	1.5
61	2.1	2.5	2.5	44	0.4	0.4	0.4
60	2.0	2.5	2.5	43	0.3	0.3	0.3
59	1.9	2.4	2.5	42	0.2	0.2	0.2
58	1.8	2.3	2.5	41	0.1	0.1	0.1
57	1.7	2.2	2.5				
56	1.6	2.1	2.5				
55	1.5	2.0	2.5				
54	1.4	1.4	2.4				
53	1.3	1.3	2.3				
52	1.2	1.2	2.2				
51	1.1	1.1	2.1				
50	1.0	1.0	2.0				
49	0.9	0.9	1.9				

**Average Annual Rate of Compensation**—Note, certain payments including bonuses overtime, severance pay, unused sick leave, or any other payment made as a result of giving notice of retirement are not considered part of a member's regular compensation and are not included in retirement calculations.

**Which Amounts of Compensation Will be Used in the Calculation**—Members must average annual rates of regular compensation earned in any 3 consecutive years or rates earned during the period or periods, whether or not consecutive, which constitute the last three years of service, preceding retirement. Benefits must be calculated upon the highest possible average obtainable given those specifications.